

Utah Power seeks record hike

Utility says \$197 million needed to meet summer demands

By Dave Anderton

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Electricity may get more expensive for customers of Utah Power, which asked state regulators on Tuesday for a \$197 million increase, the largest amount ever requested in the utility's history.

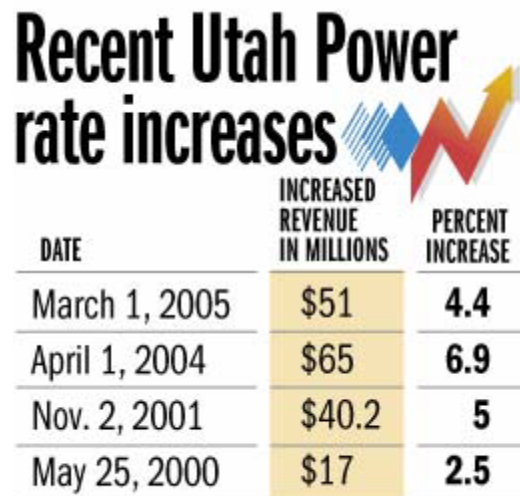
Customers can expect their electric bills to rise \$120 more a year — a \$10 monthly increase for a typical residential customer using 753 kilowatt-hours — if the company's request is granted. The increase would go into effect in December.

The utility said the 17 percent increase over current revenue levels is needed because of a rising number of customers switching to central air conditioning over evaporative coolers, forcing the utility to meet high summer peak electricity demands.

In addition, the company has embarked on a number of pricey capital improvement projects that include two new power plants, new environmental upgrades to the Huntington generation plant and transmission investment improvements.

"The growth that the state is experiencing requires us to pursue increased investment," said Dave Eskelsen, a spokesman for Utah Power. "Given our obligation to serve, there isn't another option. Electric rates are still an excellent value and will remain so even if the company gets the full effect of the increase. Rates on average will still be lower than they were 20 years ago."

David Ward, a Millcreek resident who in the past has been critical of the utility's maintenance programs, said customers today are having to make up for the utility's lack of investment during the 1990s, resulting in steeper rate increases today.



Source: PacifiCorp

Deseret Morning News graphic

"Customers paid for the maintenance in the 1990s — it was included as part of the rates — but it was never done," Ward said. "Now the company wants to charge them a second time."

Rich Walje, president of Utah Power, said in a prepared statement that in recent years Utah Power has had to provide service for an additional 14,000 to 18,000 new customers each year.

"To provide for these new customers, plus maintain our system," Walje said, "the capital investment in Utah's distribution system alone is running more than \$115 million annually."

Public Service Commission hearings on the rate request have yet to be scheduled but will probably take place in the fall. The approval process can take up to eight months.

Dan Gimble, chief of technical staff for the Utah Committee of Consumer Services, said in the past four rate cases, PacifiCorp — Utah Power's parent — has typically received 25 percent to 50 percent of what it originally requested.

"It is definitely a significant increase over previous rate case requests," said Leslie Reberg, executive director of the consumer committee. "We will have a very diverse, extensive team looking at every aspect of this filing. And we'll do our due diligence in reviewing each component."

Roughly \$21 million of the \$197 million rate increase would be a boost to the company's allowed profit, or rate of return on equity, which is currently at 10.7 percent but would rise to 11.4 percent.

Across PacifiCorp's six-state service area since 2000, the company said, more than \$1 billion in capital improvements were made in new generating plants or other enhancements.

They include:

- The \$350 million Currant Creek power plant, which will be online this year, adding 525 megawatts to the company's network. A megawatt is enough electricity to power 500 to 700 typical homes.
- The \$330 million Lake Side power plant being constructed on the former Geneva Steel site, expected to come online in 2007, adding another 534 megawatts of capacity.
- Environmental controls to its Huntington Plant Unit 2 at a cost of some \$135 million and \$221 million in transmission investment systemwide.

Eskelsen noted that MidAmerican Energy Holding Co.'s \$9.4 billion acquisition of PacifiCorp from Scottish Power has not yet closed. MidAmerican, Eskelsen said, will have 15 days after it closes on the deal to make its own accounting changes, up or down, to Utah Power's filing.

The consumer committee said the rate hike will be delayed by 45 days, saving customers \$24 million if the utility is granted the full increase.

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